

OPEN MEETING



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MEMORANDUM

ORIGINAL

Arizona Corporation Commission

DOCKETED

MAR 20 2014

RECEIVED

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AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: March 21, 2014

DOCKETED BY

EAL

RE: ARIZONA PUBLIC SERVICE COMPANY. - APPLICATION FOR APPROVAL OF
REVISED PARTIAL REQUIREMENTS RATE SCHEDULES EPR-2 AND EPR-6
(DOCKET NO. E-01345A-13-0442)

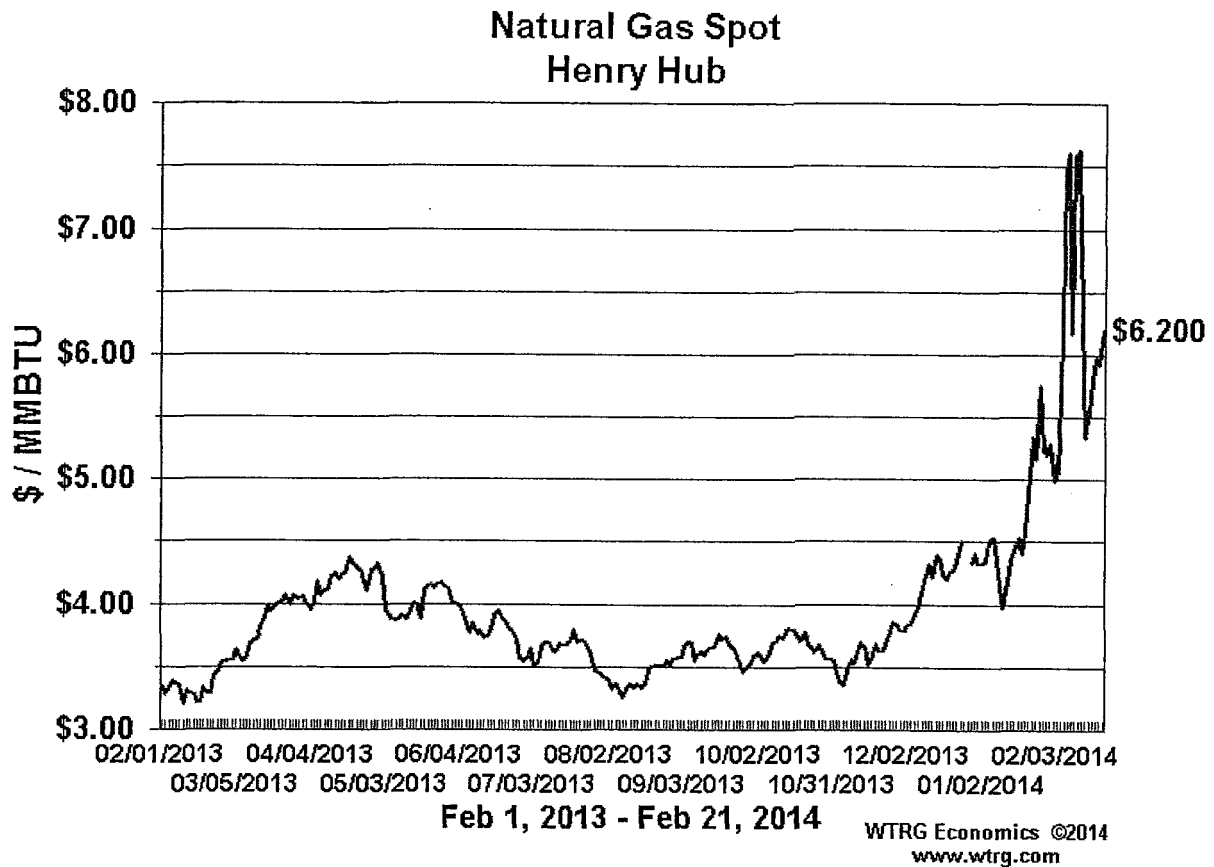
Background

On December 13, 2013, Arizona Public Service Company ("APS" or "Company") filed an application for approval of revisions to its partial requirements rate schedules EPR-2 and EPR-6. The EPR-2 schedule provides options for customers with qualifying renewable and combined heat and power generators (Qualifying Facilities) of 100 kW or less to sell back their excess generation on their monthly bill. EPR-6 provides customers with net metering facilities options to do the same. On February 21, 2014, APS filed a revised proposed rate schedule EPR-6 to amend some incorrect numbers and to make some minor language changes in the description of peak and off-peak periods.

The Company is requesting revisions to the purchase rates paid for excess generation from participating customers, which are based on avoided costs. The APS-proposed revisions to EPR-2 and EPR-6 reflect higher avoided costs and therefore increase the avoided cost rates per kWh for purchases of excess energy from Qualifying Facilities and Net Metering Facilities.

Revisions to the avoided cost are reasonable given the increases in natural gas prices during the year 2013, as shown below on Chart 1.

Chart 1



Rate Rider Schedule EPR-2 [Qualifying Facilities]

Schedule EPR-2 is available to Qualifying Facilities of 100 kW or less where partial requirements service is required from APS to meet customers' electric requirements. A Qualifying Facility ("QF") is a cogeneration or small power production facility which meets the requirements of 18 Code of Federal Regulations ("CFR"), Chapter I, Part 292, Subpart B of the Federal Energy Regulatory Commission ("FERC") Regulations.

Under Schedule EPR-2, sales of electricity to the customer are priced at the customer's applicable retail rate schedule. When the customer's own generation facility produces more electricity than the customer needs, APS buys the excess electricity each month at its avoided cost. The purchase rates are differentiated by firm and non-firm power, on-peak and off-peak periods, and summer and winter seasons. Separate purchase rates are provided for customers on a 9 a.m. to 9 p.m. on-peak time-of-use ("TOU") rate schedule, a 12 p.m. to 7 p.m. TOU rate schedule, and an 11 a.m. to 9 p.m. TOU rate schedule. Residential customers on other rate

schedules receive the 12 p.m. to 7 p.m. TOU purchase rates. Non-residential customers on other rate schedules receive the 11 a.m. to 9 p.m. TOU purchase rates.

EPR-2 Proposed excess generation purchase rates are shown below on Table 1 and Existing rates on Table 2.

Table 1

**Proposed EPR-2
Excess Generation Purchase Rates for Qualified Facilities
(¢ / kWh)**

<u>For Customers on 9 a.m. - 9 p.m. On-Peak TOU Rate Schedule</u>				
	<u>Non-Firm Power</u>		<u>Firm Power</u>	
	<u>On-Peak</u>	<u>Off-Peak</u>	<u>On-Peak</u>	<u>Off-Peak</u>
Summer (May - Oct)	2.959	2.892	3.705	3.031
Winter (Nov - Apr)	2.927	2.844	2.927	2.844
<u>For Customers on 12 p.m. - 7 p.m. On-Peak TOU Rate Schedule</u>				
	<u>Non-Firm Power</u>		<u>Firm Power</u>	
	<u>On-Peak</u>	<u>Off-Peak</u>	<u>On-Peak</u>	<u>Off-Peak</u>
Summer (May - Oct)	2.989	2.897	4.297	3.009
Winter (Nov - Apr)	3.040	2.831	3.040	2.831
<u>For Customers on 11 a.m. - 9 p.m. On-Peak TOU Rate Schedule</u>				
	<u>Non-Firm Power</u>		<u>Firm Power</u>	
	<u>On-Peak</u>	<u>Off-Peak</u>	<u>On-Peak</u>	<u>Off-Peak</u>
Summer (May - Oct)	2.982	2.888	3.876	3.015
Winter (Nov - Apr)	2.926	2.852	2.926	2.852

Table 2

**Existing EPR-2
Excess Generation Purchase Rates for Qualified Facilities
(¢ / kWh)**

<u>For Customers on 9 a.m. - 9 p.m. On-Peak TOU Rate Schedule</u>				
	<u>Non-Firm Power</u>		<u>Firm Power</u>	
	<u>On-Peak</u>	<u>Off-Peak</u>	<u>On-Peak</u>	<u>Off-Peak</u>
Summer (May - Oct)	2.956	2.765	3.608	2.887
Winter (Nov - Apr)	2.823	2.701	2.823	2.704
<u>For Customers on 12 p.m. - 7 p.m. On-Peak TOU Rate Schedule</u>				
	<u>Non-Firm Power</u>		<u>Firm Power</u>	
	<u>On-Peak</u>	<u>Off-Peak</u>	<u>On-Peak</u>	<u>Off-Peak</u>
Summer (May - Oct)	3.016	2.787	4.159	2.885
Winter (Nov - Apr)	2.869	2.713	2.869	2.713
<u>For Customers on 11 a.m. - 9 p.m. On-Peak TOU Rate Schedule</u>				
	<u>Non-Firm Power</u>		<u>Firm Power</u>	
	<u>On-Peak</u>	<u>Off-Peak</u>	<u>On-Peak</u>	<u>Off-Peak</u>
Summer (May - Oct)	2.991	2.767	3.773	2.878
Winter (Nov - Apr)	2.827	2.709	2.827	2.709

Staff has reviewed APS's hourly marginal costs that resulted in the updated EPR-2 rates and finds the data and calculations to be reasonable.

Rate Rider Schedule EPR-6 [Net Metering]

Rate Schedule EPR-6 is available to any customer served by a retail rate schedule who has a Net Metering Facility as defined by Arizona Administrative Code ("A.A.C.") R-14-2-2301. That definition is repeated in the tariff. When the customer's own generation facility produces more electricity than the customer needs, APS credits the customer for the excess kWh in subsequent billing periods. For the last billing period of each calendar year, APS pays a credit to the customer for any remaining excess generation balance at APS's avoided cost. The purchase rates are specified in EPR-6 and are differentiated by firm and non-firm power and by on-peak, off-peak, and total time periods. For TOU customers, excess generation credits are applied to the TOU periods in which the kWh were generated by the customer.

EPR-6 Proposed and Existing rates are shown below on Table 3.

Table 3

EPR-6 Annual Purchase Rates for Excess Generation
(¢ / kWh)

<u>PROPOSED RATES</u>						
	<u>Non-Firm Power</u>			<u>Firm Power</u>		
	<u>On-Peak</u>	<u>Off-Peak</u>	<u>Total</u>	<u>On-Peak</u>	<u>Off-Peak</u>	<u>Total</u>
Time of Use	2.943	2.868		3.320	2.938	
Other			2.895			3.075
<u>EXISTING RATES</u>						
	<u>Non-Firm Power</u>			<u>Firm Power</u>		
	<u>On-Peak</u>	<u>Off-Peak</u>	<u>Total</u>	<u>On-Peak</u>	<u>Off-Peak</u>	<u>Total</u>
Time of Use	2.89	2.733		3.220	2.795	
Other			2.789			2.947

Staff has reviewed APS's hourly marginal costs that resulted in the updated EPR-6 rates and finds the data and calculations to be reasonable.

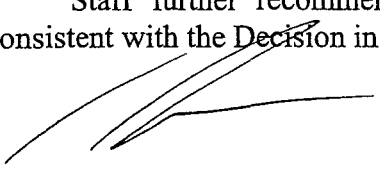
Recommendations

Staff recommends that APS's revised avoided cost rates in EPR-2 and EPR-6 be approved.

Staff recommends that APS's proposed language changes in EPR-6 be approved.

Staff recommends that APS provide notice, within 30 days of the effective date of the Decision, to customers of the revised avoided cost rates in a form acceptable to Staff.

Staff further recommends that APS file updated EPR-2 and EPR-6 rate schedules consistent with the Decision in this case within 15 days of the effective date of the Decision.



Steven M. Olea
Director
Utilities Division

SMO: JJP:sms\CHH

ORIGINATOR: Jeffrey Pasquinelli

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 BOB STUMP
 Chairman
3 GARY PIERCE
 Commissioner
4 BRENDA BURNS
 Commissioner
5 BOB BURNS
 Commissioner
6 SUSAN BITTER SMITH
 Commissioner

8 IN THE MATTER OF THE APPLICATION DOCKET NO. E-01345A-13-0442
9 OF ARIZONA PUBLIC SERVICE DECISION NO. _____
10 COMPANY FOR APPROVAL OF REVISED ORDER
11 PARTIAL REQUIREMENTS RATE
12 SCHEDULES EPR-2 AND EPR-6.

13
14 Open Meeting
15 April 8 and 9, 2014
16 Phoenix, Arizona

17 BY THE COMMISSION:

18 FINDINGS OF FACT

19 1. Arizona Public Service Company (“APS” or “Company”) is certificated to provide
20 electric service as a public service corporation in the State of Arizona.

21 Background

22 2. On December 13, 2013, APS filed an application for approval of revisions to its
23 partial requirements rate schedules EPR-2 and EPR-6. The EPR-2 schedule provides options for
24 customers with qualifying renewable and combined heat and power generators (Qualifying
25 Facilities) of 100 kW or less to sell back their excess generation on their monthly bill. EPR-6
26 provides customers with net metering facilities options to do the same. On February 21, 2014,
27 APS filed a revised proposed rate schedule EPR-6 to amend some incorrect numbers and to make
28 some minor language changes in the description of peak and off-peak periods.

29 ...

3. The Company is requesting revisions to the purchase rates paid for excess generation from participating customers, which are based on avoided costs. The APS-proposed revisions to EPR-2 and EPR-6 reflect higher avoided costs and therefore increase the avoided cost rates per kWh for purchases of excess energy from Qualifying Facilities and Net Metering Facilities.

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4. Schedule EPR-2 is available to Qualifying Facilities of 100 kW or less where partial requirements service is required from APS to meet customers' electric requirements. A Qualifying Facility ("QF") is a cogeneration or small power production facility which meets the requirements of 18 Code of Federal Regulations ("CFR"), Chapter I, Part 292, Subpart B of the Federal Energy Regulatory Commission ("FERC") Regulations.

5. Under Schedule EPR-2, sales of electricity to the customer are priced at the customer's applicable retail rate schedule. When the customer's own generation facility produces more electricity than the customer needs, APS buys the excess electricity each month at its avoided cost. The purchase rates are differentiated by firm and non-firm power, on-peak and off-peak periods, and summer and winter seasons. Separate purchase rates are provided for customers on a 9 a.m. to 9 p.m. on-peak time-of-use ("TOU") rate schedule, a 12 p.m. to 7 p.m. TOU rate schedule, and an 11 a.m. to 9 p.m. TOU rate schedule. Residential customers on other rate schedules receive the 12 p.m. to 7 p.m. TOU purchase rates. Non-residential customers on other rate schedules receive the 11 a.m. to 9 p.m. TOU purchase rates.

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(¢ / kWh)

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Summer (May - Oct)	2.991	2.767	3.773	2.878
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7. Staff has reviewed APS's hourly marginal costs that resulted in the updated EPR-2 rates and finds the data and calculations to be reasonable.

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Time of Use	2.89	2.733		3.220	2.795	
Other			2.789			2.947

10. Staff has reviewed APS's hourly marginal costs that resulted in the updated EPR-6 rates and finds the data and calculations to be reasonable.

Recommendations

11. Staff has recommended that APS's revised avoided cost rates in EPR-2 and EPR-6 be approved.

14. Staff has further recommended that APS file updated EPR-2 and EPR-6 rate schedules consistent with the Decision in this case within 15 days of the effective date of the Decision.

4. The Commission, having reviewed the application and Staff's Memorandum dated March 21, 2014, concludes that EPR-2 and EPR-6 should be approved as discussed herein.

IT IS FURTHER ORDERED that Arizona Public Service Company's proposed language changes in EPR-6 are approved.

• • •

1 IT IS FURTHER ORDERED that Arizona Public Service Company shall provide notice to
2 customers of the revised avoided cost rates, in a form acceptable to Staff, within 30 days of the
3 effective date of this Decision.

4 IT IS FURTHER ORDERED that Arizona Public Service Company shall file updated
5 EPR-2 and EPR-6 rate schedules consistent with the Decision in this case within 15 days of the
6 effective date of the Decision.

7 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

8
9 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

10
11 _____
12 CHAIRMAN

COMMISSIONER

13
14 _____
15 COMMISSIONER

COMMISSIONER

COMMISSIONER

16 IN WITNESS WHEREOF, I, JODI JERICH, Executive
17 Director of the Arizona Corporation Commission, have
18 hereunto, set my hand and caused the official seal of this
19 Commission to be affixed at the Capitol, in the City of
20 Phoenix, this _____ day of _____, 2014.

21 _____
22 JODI JERICH
23 EXECUTIVE DIRECTOR

24 DISSENT: _____

25 DISSENT: _____

26 SMO:JJP:sms\CHH
27
28

1 SERVICE LIST FOR: Arizona Public Service Company
2 DOCKET NO. E-01345A-13-0442

3 Mr. Thomas L. Mumaw
4 Pinnacle West Capital Corporation
5 400 North 5th Street, MS 8695
6 Phoenix, Arizona 85004

7 Mr. Steven M. Olea
8 Director, Utilities Division
9 Arizona Corporation Commission
10 1200 West Washington Street
11 Phoenix, Arizona 85007

12 Ms. Janice M. Alward
13 Chief Counsel, Legal Division
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007
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18
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20
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